

BITOU LOCAL MUNICIPALITY

3/23/2020

MULTI-YEAR OPERATING AND CAPITAL BUDGET OF THE 2020-2023



Vincent Bongani Mkhefa

31 May 2018

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Table of Contents

1.1	REPORT OF THE EXECUTIVE MAYOR	4
1.2	COUNCIL RESOLUTIONS	11
1.3	EXECUTIVE SUMMARY	12
1.4	BUDGET FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)	14
1.5	TARIFF SETTING	18
1.6	BUDGETED FINANCIAL PERFORMANCE FUNCTION	22
1.7	BUDGETED CAPITAL EXPENDITURE BY VOTE, FUNCTIONAL AND CLASSIFICATION AND FUNDING.....	26
1.8	BUDGETED FINANCIAL POSITION	27
1.9	BUDGETED CASHFLOW	29

Annexures

Annexure A - Rates, Tariffs and fees for 2018/2019

Annexure B –Supporting Documents and A schedule

Annexure C – Detail Capital Program

Annexure D - Budget Related Policy

Annexure F - Quality Certificate

Abbreviations and Acronyms

CFO	Chief Financial Officer		Programme
MM	Municipal Manager	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
CRRF	Capital Replacement Reserve Fund	MPRA	Municipal Properties Rates Act
DoRA	Division of Revenue Act	MSA	Municipal Systems Act
EE	Employment Equity	MTEF	Medium-term Expenditure Framework
EEDSM	Energy Efficiency Demand Side Management	MTREF	Medium-term Revenue and Expenditure Framework
EM	Executive Mayor	NDP	National Development Plan
FBS	Free basic services	NERSA	National Electricity Regulator South Africa
GDP	Gross domestic product	NGO	Non-Governmental organisations
GRAP	General Recognised Accounting Practice	NKPIs	National Key Performance Indicators
HR	Human Resources	OHS	Occupational Health and Safety
IDP	Integrated Development Strategy	PBO	Public Benefit Organisations
IT	Information Technology	PMS	Performance Management System
kℓ	kilolitre	PPE	Property Plant and Equipment
km	kilometre	SALGA	South African Local Government Association
KPA	Key Performance Area	SAPS	South African Police Service
KPI	Key Performance Indicator	SDBIP	Service Delivery Budget Implementation Plan
kWh	kilowatt	SMME	Small Micro and Medium Enterprises
ℓ	litre		
LED	Local Economic Development		
MFMA	Municipal Financial Management Act		

1.1 Report of the Executive Mayor

2020/21 MUNICIPAL BUDGET SPEECH BY THE EXECUTIVE MAYOR OF BITOU LOCAL MUNICIPALITY, COUNCILLOR MP LOBESE: SEWELL STREET, MUNICIPAL BUILDING, COUNCIL CHAMBERS - 31 MAY 2020

The Honourable Speaker of council,

Honourable Members of the Mayoral Committee

Honourable Leaders of the Opposition Parties

Honourable Members of Council

Members of Ward Committees present

Municipal Manager

Senior Management of the municipality

Members of the media present

Ladies and Gentlemen

Molweni,

I am standing here today as the servant of the people of Bitou who is sent to lead this community and which is a call that I'm honouring. I'm required by the municipal finance management act to table an annual budget to council for deliberations and also to ensure that as participatory government we go out and consult our communities in this regard.

This Budget is presented under challenging times with regard to the economic outlook of the Republic of South Africa, the Province and indeed that of Bitou Municipality. The economic outlook of the town is also not looking good as the economic growth is below 2% and is far below the provincial average growth. Over the medium term, economic growth in advanced economies is expected to remain unchanged at 2.3 per cent in 2018 before slowing marginally to 2.2 per cent in 2019.

The most prominent feature of the economic outlook for the Western Cape is the impact of the continuing drought and ensuing water crisis on the agricultural sector and its impact on tourism. The swings in the expected economic performance in the Western Cape will be explained by shifts in the performance of the agriculture sector.

The Annual Budget tabled here today is constrained by the national government measures to contain their national expenditure which have the direct impact on the grants we receive from both the province and national. Reality is that things are becoming tougher for our community and the people of South Africa. Things are equally tough for South African business, informal and formal.

These challenging times call upon us to intensify our efforts to address economic constraints, improve our growth by creating an environment conducive for investment and economic growth and to create employment opportunities.

The COVID 19 epidemic will make things even worse for the community of Bitou. The strain will weaken the markets and drain the fiscal position of the government. The country is now doing every thing possible to contain the spread of the disease and the municipality have joined the work. The municipality cannot stand by and leave the crises to the Health Minister. We have a task to ensure that water is provided uninterrupted to the community at large. The informal settlements remain a high risk for the spread of the disease. The budget for 2020/21 focuses on balancing the financial affairs of the municipality while managing risk and maintaining fiscal stability in a weak economic environment. The budget is also putting focus on the implementation of the 5 year IDP of the municipality. The council have set 7 strategic objectives and this budget is meant to allocate resources in achieving those objectives.

PREPARATION FOR DRAFT ANNUAL BUDGET FOR THE 2020/21 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

Honourable Speaker, in preparing the 2020/2021 Annual Budget and Medium-Term Revenue and Expenditure Framework (MTREF) main objectives to be achieved are the following:



Spatial Integration of Bitou

The project for the integration of Bitou cannot be delayed any further. In my discussion with administration during the budget steering committee meeting I gave direction that the project of ensuring that Plettenburg Bay becomes a town for all races which is inclusive of all should not be delayed any further. The Shell Ultra City middle income household project remains one of those

project that can ensure social and economic integration within the town. The delay in the implementation of the project is affected by objections and delays in the planning tribunal processes. The Municipal Manager was instructed to look out for funders who can fund this project and ensure that the project is implemented asap. Council we need to fast track this implementation because with the current grant allocation from the Western Cape Provincial Government we will not be able to implement all our projects. We have plans of R101million ready for implementation but only R34 million is made available for the 2020/21 financial year. We cannot continue to have apartheid barriers in our time and do nothing to ensure the integration. We need to change some of our policies to ensure that integration is achieve before 2021.

All our planning and projects should be towards this goal. The town planning and the human settlement division have been instructed to spear head this project and ensure full integration of the town in the near future. We cannot continue developing low cost housing and we think we will be able to achieve the above objective. Management should develop alternative sources of funding to fund land procurement or expropriation and ensure that middle income and low income communities find access to the central business district. Investors with vision of catering for this categories of communities should be invited to the town.

Grow Local Economy

We should agree as the council and community that we don't know what will be the last impact of this virus. What we are sure is that it will change the tourism industry and shake it to its core. The COVID 19 will hit the tourism industry and the municipality and community will be affected by the shake down. We need to find ways that will revive the tourism after the pedemic and limited resources we have should focus and getting us ready after the effects. We should pray that the damaged to be caused is manageable because if it becomes catastrophic that will be the end of booming tourism economy in our town. The development of the reactive local economic development strategy and tourism strategy post the COVID 19 should be developed and implemented.

The success of any economic development strategy requires the town to be ready and open for business. The municipality should identify pieces of land to be made available for business development. Any pieces of land available for business should be disposed and ensure that businesses are developed that will employ our people. If we don't make efforts in reducing unemployment in our town and also reduce poverty our people will turn against us soon.

Eradicate Poverty and Uplift previously disadvantaged communities

The eradication of poverty within our previously disadvantage area needs to be our focal point. The social programmes that we are currently doing as the municipality needs to be streamlined. The indigent support policy of the municipality have been reviewed to ensure that it promotes easy implementation and prevents abuse of the policy. This policy is meant to benefit households which are seriously indigent and we are aware of members of the community who take advantage of this scheme. The administration should take steps to verify the indigent and ensure that they only

provide this benefit to deserving households. The municipality will be spending R35.8 million to subsidies 4600 indigent households in the municipality. This will be deducted from the equitable share of R96 million.

My office have also developed programmes through the special projects office that will ensure various interest groups within the municipality are coordinated. We have also made a provision in the budget to work closely with ward committees to create projects that will eradicate poverty within our communities.

Universal Access to decent quality of services

The municipality should develop service level standards we want to achieve as the municipality and which standards will our community afford. We are put under serious pressure as council to deliver sometime on the services standards that are beyond our means. The operating budget of the municipality is under strain and we still require more to be achieved on this limited resources.

Once the municipality and the community agree on the acceptable level of services and the funds required to be paid by our communities this will assist in the addressing some of the financial constraints we are causing the municipality. Our objective remain to keep the municipality afloat and this can only be achieved if we spend within our means.

The municipality will be spending R21.06 million on the construction of roads and storm water and the sidewalks. An additional R21.13 million will be spent on waste water services infrastructure development. The municipality will also invest R10.7 million on the upgrading of electricity infrastructure. As part of improving water infrastructure the municipality will invest R20.01 million improving the infrastructure.

Build a capable, corruption-free administration

The capacity building in the administration remains a challenge and council should assist in achieving this goal. We will not be able to achieve this objective if the administration is not fully capacitated. The appointment of vacant senior managers is critical for the achievement of this goal. The capacity challenges in senior management have serious impact in the operations of the municipality.

All this nice goals and vision we have set for ourselves will not be achieve if we do not have stability in the administration. The filling of all critical posts in the municipality is critical and positions that are not critical should be removed from the structure.

The fight against corruption should be intensified. The establishment of the Disciplinary Board and effective operation of this board is critical. The element of consequence management should be implemented before we are forced by the Auditor General to implement it.

We will strive to achieve the above mentioned objective and ensure that every cent contributed by our community and national government is spent to achieve this objective.

THE MAIN FUNDAMENTAL BASES FOR THE COMPILATION OF THE 2020/21 – 2022/23 DRAFT ANNUAL BUDGET AND MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

The National, Provincial and Local government's main priorities for the medium-term is basic services and social infrastructure development and job creation, and therefore the focus and priorities of Bitou Municipality are geared towards the achievement of these priorities in order to ensure alignment in planning.

As we were developing our integrated development plan, we took into consideration the national development plan and ensured that our master plans and Budgets are redirected towards the achievement of these priorities.

The 2020/21 MTREF Budget has considered the following:

- a) Affordable Cost reflective tariffs;
- b) Cost containment as recommended by National Treasury;
- c) The current economic climate and its impact on the Community we serve;
- d) Provision for asset renewal and maintenance;
- e) Credibility and level of funding of the Budget and
- f) Alignment of the Budgets to municipality's plans.

In preparing the 2020/21 Budget and MTREF, we continue to explore opportunities to mainstream labour intensive approaches to the delivering of services, and more particularly to improve our participation in the Extended Public Works Program (EPWP).

The municipality is striving to and continues to play its critical role in creating an enabling environment for investment, growth and development.

FOCUS OF THE 2020/21 DRAFT BUDGET

Capital Budget

The Capital Budget flows from the IDP process and contains information obtained from the relevant stakeholders which has been subjected through extensive public participation processes during November 2019.

The capital expenditure for 20/21 have substantially decreased as compared to previous years to R86 million. The various department submitted capital projects worth more than R150 million. This clearly shows the need from the various municipal section to procure or build new or refurbish aging municipal assets.

It is important for council to note that Bitou is reliant on own revenue to continue to invest in the Capital projects. The municipality cannot afford to disinvest in the capital programme. The council needs to ensure that infrastructure department receive sufficient funds to investment in the replacement of assets.

The municipal roads and storm water requires upgrading and the department needs at least R40 million to adequately finance the recapitalisation. The electricity department also needs funds to improve the infrastructure especially in the townships. The water and waste water department needs to improve the infrastructure to unlock housing development and replace some of the aged asbestos pipes that are leaking and the reservoirs.

It is important for council to note that this budget does not do justice to the development requirements of our town.

Draft Operating Budget

The following table is a consolidated overview of the proposed Draft 2020/21 Medium-Term Revenue and Expenditure Framework Budget:

Consolidated Overview of the Draft 2020/21 MTREF Budget:

R THOUSANDS	CURRENT YEAR 2019/20		2020/21 MTRF		
	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
TOTAL REVENUE	754,363	709,327	787,662	848,330	918,009
TOTAL EXPENDITURE	716,117	702,104	750,431	786,893	821,335
SURPLUS/(DEFICIT)	38,246	7,223	35,654	61,473	96,674
TRANSFERS RECOGNISED - CAPITAL	35,601	37,201	39,542	45,975	37,509
SURPLUS/(DEFICIT) FOR THE YEAR	73,847	44,424	75,196	107,412	134,133

The operating revenue for 2020/21 have increase to R787 million from R709 current financial year. The increase is mainly due to additional operating grants received from province for the top structures and the increase in the tariffs. The equitable share have increased by R9 million as per the DORA bill currently publicised.

Revenue sources remains under strain and in an attempt to balance service delivery with affordability, proposed tariff are tabled below. The National Treasury have estimated the CPI Inflation to be 4.9% for 2020/21. The current economic trends in the country and the COVID 19 pandemic the country is facing clearly shows that 2020/21 will be difficult year for the community. Affordability of our services remains a key concern for a large portion of the community.

- Electricity 6.24%
- Water 5%
- Sewerage 5%
- Property Rates 5%
- Refuse removal 7%
- Other Charges 7%

The operating expenditure have increased from R702 million to **R750** million in 2020/21. The increase in the expenditure is attributed to the 6.25% increase for all staff except Senior Managers in terms of the 3 year agreement between the employer organisation and the labour union. We have also included the employee related cost for EPWPs. We have previously accounted for EPWP under other expenditure but they should be recognised as employee cost. The salary related costs have increased by 15% with the inclusion of the EPWP.

The other cost that remains a concern is the overtime cost for 2020/21 financial year. The overtime and stand by cost for 2019/20 is expected to reach R20 million and the council only provided R8 million for the current financial year. The concern of ever increasing overtime have been raised previously but the expenditure seems to be uncontrollable. The budget for overtime was increased by 100% in the 2020/21 financial year. The employee cost as compared to the total operating budget have increased to 36% which is 6% above the norm for local municipalities.

The council should note that an increase in salary cost without actual increase in number of staff clearly reflects poor management of cost. A call is made again to management to reduce overtime and ensure that overtime hours are reduced. The municipality continue to pay some of the staff overtime above 40hours which is contrary to the labour legislation.

The budget is based on the estimation of 90% collection on other services and 100% collection on electricity. In an effort to improve the viability and sustainability of the municipality. The effort to collect the outstanding debt needs to be implemented. The municipality is currently owed R260 million. It is important for council to note that this is cash that is urgently required to improve the infrastructure and improve the services to the community. The delay in the collection of the outstanding cash has a negative impact on the financial position of the municipality. The tabled budget currently estimate to impair debt by R83 million. This is the expenditure that does not assist the institution or the community. It is an expenditure that reflect the municipal failure to collect all monies due.

The budgeted statement of financial position reflects a surplus of R35 million excluding capital transfers from national and provincial government.

In Conclusion

I am convinced that this Draft Budget as an instrument, will go a long way to create hope in these challenging times and will contribute to our goal “To be the best together”.

I want to take this opportunity to thank all Councillors that serve with me. We proudly serve with diligence and honour. I want to thank the Municipal Manager and his administrative staff. Your professionalism has been noted as one of the key factors for our success. The members of the media, my family for allowing me to serve the community at the expense of spending less time with them. Most importantly the community of Bitou for entrusting in me, to run and lead a big institution like ours.

To this end Honourable Speaker and the esteemed members, **I COUNCILLOR MSIMBOTI PETER LOBESE, THE EXECUTIVE MAYOR OF BITOU MUNICIPALITY** hereby tables the Annual Budget for the 2017/18 Medium-Term Revenue and Expenditure Framework of the Bitou Local Municipality for consideration, adoption and approval.

I thank you

COUNCILLOR MSIMBOTI PETER LOBESE
EXECUTIVE MAYOR

1.2 Council Resolutions

1. The Council of the Bitou Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003), approves and adopts for consultation:
 - 1.1. The Annual Budget of the municipality for the 2020/21 financial year and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source .
 - 1.1.5. The financial position, cash flow Budget, cash-backed reserve/accumulated surplus, asset management and the Final Draft basic service delivery targets are approved as set out in the following tables:
 - 1.1.6. Budgeted Financial Position
 - 1.1.7. Budgeted Cash Flows
2. The Council of Bitou Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the tariffs for property rates, the tariffs for electricity, the tariffs for the supply of water, the tariffs for sanitation services, the tariffs for solid waste services as set out in Annexure A;
3. The Council of Bitou Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the tariffs and fees for other services, as also set out in Annexure A;
4. The Council of Bitou Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts Budget related policies as set out in Annexure D;
5. To give proper effect to the municipality's Annual Budget, the Council of Bitou Local Municipality approves:
 - 5.1. That cash backing be implemented through the utilisation of a portion of the realisable accumulated surplus as at the end of the financial year to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

Economic Outlook

In South Africa, economic growth has continued to stagnate and weaknesses in the world economy are likely to amplify our own challenges. The discussion paper termed the Economic transformation, inclusive growth, and competitiveness released by the National Treasury has proposed a number of economic reforms that might boost GDP growth over the medium and longer term, and support increased investment and job creation. These measures have been broadly agreed on within government. The next step is to implement the reforms urgently. Nevertheless, the economy has continued to weaken with the economic growth projected to grow at 1.2 per cent in the 2020/21 financial year, while long term estimates have fallen prompting government to review its outer year's estimates.

In addition to low growth, South Africa's biggest economic risk is Eskom. Ongoing problems with the utility's operations continue to disrupt the supply of electricity to households and businesses. Government has allocated significant resources to assist Eskom. With the immediate financial restraints lifted, the focus must be on operational problems and restructuring Eskom into three separate entities. Doing so will mark the beginning of a transition to a competitive, transparent and financially viable electricity sector.

South Africa's public finances deteriorated over the past decade; a trend that accelerated in recent years as low growth led to large revenue shortfalls. For 10 years, the country has run large budget deficits. This has put us deeply in debt, to the point where interest payments have begun crowding out social and economic spending programmes. This cannot be sustained.

South Africa's public finances deteriorated over the past decade; a trend that accelerated in recent years as low growth led to large revenue shortfalls. For 10 years, the country has run large budget deficits. This has put us deeply in debt, to the point where interest payments have begun crowding out social and economic spending programmes. This cannot be sustained.

Table 1: Microeconomic performance and projections 2019-2023

	<i>19/20 Estimate</i>	<i>2020/21 Forecast</i>	<i>2021/22</i>	<i>2022/23</i>
<i>CPI Inflation</i>	4.3%	4.9%	4.8%	4.8%

The economic outlook of the country does not look positive at all and the current epidemic might worsen the situation. The unknown future places a very serious challenge to the budget as we don't The application of sound financial management principles for the compilation of Bitou Municipality's financial plan has been the critical success factor to ensure that Bitou Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Bitou Municipality's business and service delivery priorities are continuously being reviewed as part of this year's planning and Budgeting process. Where appropriate, funds have been transferred to address crucial service delivery needs and to ensure compliance with legislative requirements and to meet service delivery obligations in terms of the reviewed IDP.

Table 2 Consolidated Overview of the Final 2020/21 MTREF:

Key Issues on the summary below:

1. Increase in municipal revenue.
2. Average tariff increase of 5.4%
3. Additional grants received from government
4. Average increase in operating expenditure
5. Salary cost is currently at 36% excluding councillors.
6. The budget is fully funded and a surplus budget
7. The municipality contributes R34 million which is more than 50% of capital budget.
8. Decrease in Capital budget
9. The budget is cash funded
10. R67 million to be spent on repairs and maintenance.

WC047 Bitou - Table A1 Budget Summary

Description	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands						
<u>Financial Performance</u>						
Property rates	145,672	144,900	144,900	152,145	159,752	167,740
Service charges	394,936	392,468	392,468	414,780	438,374	463,329
Investment revenue	8,089	8,089	8,089	9,667	10,119	10,584
Transfers recognised – operational	118,770	120,315	120,315	135,681	160,868	193,180
Other own revenue	86,896	43,555	43,555	75,388	79,217	83,176
Total Revenue (excluding capital transfers and contributions)	754,363	709,327	709,327	787,662	848,330	918,009
Employee costs	236,196	237,054	237,054	273,400	289,804	307,193
Remuneration of councillors	6,971	6,971	6,971	7,323	7,818	8,166
Depreciation & asset impairment	32,893	35,367	35,367	36,691	37,974	39,872
Finance charges	14,798	15,130	15,130	13,510	10,871	8,597
Materials and bulk purchases	141,457	144,445	144,445	157,816	168,988	180,851
Transfers and grants	6,750	5,515	5,515	6,700	6,700	6,700
Other expenditure	277,053	257,623	257,623	256,567	264,738	269,957
Total Expenditure	716,117	702,104	702,104	752,007	786,893	821,335
Surplus/(Deficit)	38,246	7,223	7,223	35,654	61,437	96,674
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35,601	37,201	37,201	48,417	45,975	37,509
Contributions recognised - capital & contributed assets	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions	73,847	44,424	44,424	83,071	107,412	134,183
Share of surplus/ (deficit) of associate	—	—	—	—	—	—

Surplus/(Deficit) for the year	73,847	44,424	44,424	83,071	107,412	134,183
<u>Capital expenditure & funds sources</u>						
Capital expenditure	84,766	83,789	83,789	86,617	96,504	63,637
Transfers recognised – capital	32,999	32,810	32,810	48,417	40,109	27,573
Public contributions & donations	–	–	–	–	–	–
Borrowing	11,640	11,640	11,640	–	–	–
Internally generated funds	40,127	39,339	39,339	34,532	56,396	36,064
Total sources of capital funds	84,766	83,789	83,789	86,617	96,504	63,637
<u>Financial position</u>						
Total current assets	438,091	723,950	775,360	197,668	214,185	302,363
Total non current assets	123,503	1,240,481	1,206,308	1,272,834	1,329,465	1,351,129
Total current liabilities	70,874	(71,293)	(155,330)	(187,334)	(163,340)	(161,160)
Total non current liabilities	132,123	20,569	24,071	(153,371)	(101,514)	(82,994)
Community wealth/Equity	973,535	922,398	927,282	1,794,869	1,808,503	1,897,646
<u>Cash flows</u>						
Net cash from (used) operating	(3,728)	–	–	71,452	93,654	133,202
Net cash from (used) investing	(84,766)	(83,789)	(83,789)	(86,617)	(97,504)	(63,637)
Net cash from (used) financing	–	–	–	(22,621)	(22,621)	(22,621)
Cash/cash equivalents at the year end	4,047	96,390	(83,789)	54,363	44,830	91,774
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	12,768	174,388	165,678	79,391	52,920	99,864
Application of cash and investments	(363,077)	(442,070)	65,407	(43,269)	(89,762)	(125,830)
Balance - surplus (shortfall)	375,845	616,457	100,271	122,661	142,682	225,694
<u>Asset management</u>						
Asset register summary (WDV)	51,811	1,214,735	1,214,735	32,987	59,328	39,883
Depreciation	32,893	35,367	35,367	36,691	37,974	29,145
Renewal of Existing Assets	862	862	862	500	2,030	3,200
Repairs and Maintenance	60,406	54,746	54,746	67,402	66,474	64,216

1.4 Budget Financial Performance (Revenue and Expenditure)

For Bitou Municipality to continue improving the quality of life of its citizens through the delivery of high quality services, it is necessary to generate sufficient revenue from rates and service charges; considering the review of the infrastructure grant by National Treasury and changes to allocations to Municipalities. It is also important to ensure that all billable revenue is firstly, charged correctly and secondly, adequately collected. This would mean devising means to collect revenue in areas that are traditionally Eskom distribution areas and where the Municipality's

collection efforts have had little to no effect. The prevailing economic circumstances are adding to the difficulties in collecting the revenue due to the Municipality.

The spending required to address the needs of the community will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenue.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Revenue enhancement and maximizing the revenue base;
- Efficient revenue management, which aims to ensure a minimum 95% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as to be approved by the National Electricity Regulator of South Africa (NERSA);
- Implementing cost reflective tariff increases for water, sanitation and refuse collection;
- Budgeting for a moderate surplus to ensure availability of cash reserves to back statutory funds and current provisions.
- Fully subsidizing all indigent households in terms of the relief offered by the municipality

Table 3 Table A4 Budgeted Financial Performance (revenue and expenditure):

WC047 Bitou - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Revenue By Source</u>						
Property rates	145,672	144,900	144,900	152,145	159,752	167,740
Service charges - electricity revenue	172,591	174,482	174,482	184,950	196,047	207,810
Service charges - water revenue	87,057	89,544	89,544	94,021	98,722	103,658
Service charges - sanitation revenue	85,498	80,955	80,955	85,002	89,253	93,715
Service charges - refuse revenue	49,790	47,487	47,487	50,806	54,351	58,145
Service charges – other	–	–	–	–	–	–
Rental of facilities and equipment	1,654	1,656	1,656	1,253	1,314	1,369
Interest earned - external investments	8,089	8,089	8,089	9,667	10,119	10,584
Interest earned - outstanding debtors	11,159	15,256	15,256	16,627	17,419	18,223
Dividends received	–	–	–	–	–	–
Fines, penalties and forfeits	61,513	15,628	15,628	46,593	48,922	51,368
Licences and permits	683	887	887	967	1,013	1,057
Agency services	1,995	1,995	1,995	2,184	2,288	2,394
Transfers and subsidies	118,770	120,315	120,315	135,681	160,868	193,180
Other revenue	9,067	7,309	7,309	6,897	7,351	7,814
Gains on disposal of PPE	826	826	826	867	909	951
Total Revenue (excluding capital transfers and contributions)	754,363	709,327	709,327	787,662	848,330	918,009

Expenditure By Type						
Employee related costs	236,196	237,054	237,054	273,400	289,804	307,193
Remuneration of councillors	6,971	6,971	6,971	7,323	7,818	8,166
Debt impairment	107,439	96,696	96,696	83,350	87,673	92,223
Depreciation & asset impairment	32,893	35,367	35,367	36,691	37,974	39,872
Finance charges	14,798	15,130	15,130	13,510	10,871	8,597
Bulk purchases	134,086	134,376	134,376	144,251	154,337	165,129
Other materials	7,372	10,069	10,069	13,565	14,650	15,722
Contracted services	112,595	105,207	105,207	113,126	114,282	111,578
Transfers and subsidies	6,750	5,515	5,515	6,700	6,700	6,700
Other expenditure	57,019	55,720	55,720	60,092	62,783	66,155
Loss on disposal of PPE	–	–	–	–	–	–
Total Expenditure	716,117	702,104	702,104	752,007	786,893	821,335
Surplus/(Deficit)	38,246	7,223	7,223	35,654	61,437	96,674
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35,601	37,201	37,201	48,417	45,975	37,509
Surplus/(Deficit) after capital transfers & contributions	73,847	44,424	44,424	83,871	107,412	134,183
Taxation	–	–	–	–	–	–
Surplus/(Deficit) after taxation	73,847	44,424	44,424	83,871	107,412	134,183
Attributable to minorities	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	73,847	44,424	44,424	83,871	107,412	134,183
Share of surplus/ (deficit) of associate	–	–	–	–	–	–
Surplus/(Deficit) for the year	73,847	44,424	44,424	83,871	107,412	134,183

The majority of the municipal revenue is generated from internally generated funds. The municipality is generating R648 million from the services charges and other internally generate revenue sources. This result into 82% of the total operating income of the municipality. It is important for council to note that this budget forecast that 90% of the budgeted income will be recovered from the consumers. This means that the surplus reported might be overstated if we are unable to collect all the monies dues.

The need for members of the community who can afford to pay should be over emphasised during th ward meetings. A tendency have developed especially in Kwanokuthula area that those who afford will lead marches to the municipality demaning the municipality not to implement credit control measures. The council should resist such efforts and as principled leadership the interest of this institution should come before any other individuals. The table below reflect revenue generated by source in percentages:

Table 4 Revenue by source

<i>Revenue by Source</i>	Budget 2020/21	Percentage
<i>Property rates</i>	152,145,205	19.32%

<i>Service charges - electricity revenue</i>	184,950,468	23.48%	648,829,808 82%
<i>Service charges - water revenue</i>	94,021,272	11.94%	
<i>Service charges - sanitation revenue</i>	85,002,421	10.79%	
<i>Service charges - refuse revenue</i>	50,805,561	6.45%	
<i>Rental of facilities and equipment</i>	1,253,249	0.16%	
<i>Interest earned - external investments</i>	9,667,421	1.23%	
<i>Interest earned - outstanding debtors</i>	16,627,407	2.11%	
<i>Fines, penalties and forfeits</i>	46,592,547	5.92%	
<i>Other revenue</i>	6,897,175	0.88%	
<i>Gains on disposal of PPE</i>	867,081	0.11%	
<i>Agency services</i>	2,183,589	0.28%	138,831,890 18%
<i>Licences and permits</i>	967,301	0.12%	
<i>Transfers and subsidies</i>	135,681,000	17.23%	
<i>Total Revenue (excluding capital transfers and contributions)</i>	787,661,698		

The revenue derived from Electricity contributes 23% of the total operating revenue of the municipality. The council should note that 85% of the revenue will be paid over to Eskom as the electricity supplier. The municipality only generates R40 million to cover its cost. The major revenue contributor is property rates. We are forecasting a revenue increase to R152 million in 2020/21. The council should note that the revenue is depending by valuation roll and any sharp movement in the property valuation will affect this revenue. The budget proposes a 5% increase in the tariffs for property rates. The budget also did not change the general rebate of R350 000 deducted from the market value of the properties. This ultimately result in over 7500 properties not paying property rates. This means only half of the properties are contributing to the rates income.

This will be followed by operational grants of R135 million. The water services will contribute R94 million and the municipality generates 50% profit for sale of water. The waste water service will also contribute a substantial revenue of R85 million. The revenue for waste services will increase to R50 million.

The municipality will receive grants totaling R135 million from both National and Provincial government. The major grant to be received is Equitable share and other small grants from other spheres of government.

The budget includes the revenue for traffic fines of R45 million. It is important for the council to note that the traffic income is not guaranteed as only 10% of the fines are collected over a two year period. The 90% of the fines income was therefore impaired under expenditure as the debt cannot be all recoverable.

Table 4: Expenditure by type

<i>Expenditure By Type</i>	<i>Budget 2020/21</i>	<i>Percentage</i>	
<i>Employee related costs</i>	273,400,263	36%	37%
<i>Remuneration of councillors</i>	7,322,893	1%	

<i>Debt impairment</i>	83,349,625	11%	
<i>Depreciation & asset impairment</i>	36,691,030	5%	
<i>Finance charges</i>	13,510,457	2%	
<i>Bulk purchases</i>	144,250,643	19%	
<i>Other materials</i>	13,565,294	2%	
<i>Contracted services</i>	113,125,573	15%	
<i>Transfers and subsidies</i>	6,700,000	1%	
<i>Other expenditure</i>	60,091,697	8%	

The increase in employee related cost as mentioned above is as a result of the 6.25% increase as per bargaining council agreement. We have also included the EPWP salary budget of R12 million of which R10 million will be funded internally. In terms of norm and standard from National Treasury efficient municipalities are expected that 30% of their operational budget should be allocated to salaries. The inclusion of EPWP as part of employee costs have increased employee cost to 37% of the operation budget. The grant amount for EPWP is R2.1 for the 2020/21 financial year. The budget have also made a provision for post retirement benefits for permanent employees for R16 million. The remuneration of councillors have been marginally increased to R7.3 million.

The budget have provided for the impairment of the traffic fines for R30 million and R53 million for the impairment of consumer debtors. The inadequate credit control measure are making the collection of outstanding debtors to be a problem. The non execution of warrant of arrest by the law enforcement and traffic section for offenders in the Garden Route district is also having a major impact on the effective collection of the traffic fines. The budget for bulk purchases was increased by

The budget for contracted services includes R17million grant funding related to housing development. According to National Treasury norms and standards the percentage of contracted services as compared to operating budget should not exceed 5%. The contract services budget for the 2019/20 financial year is 11% and in this draft budget increased to 15%. The budget for contracted services include appointment of consultants, services providers and contractors. The service delivery departments are outsourcing some of the services to private contractors. Those include grass cutting, water services, maintenance of buildings, security services, fleet maintenance and many other services.

The budget have also included cash transfers to institutions and individuals. The municipality have budgeted for transfer of R3 million to the Garden Route Municipality as part of the construction of the landfill site. The Mayors office have also budgeted for the trnasfer of R1 million to deserving students as bursaries and R1 million will be transferred to NGOs. The tourism section will transfer R1.7 million to the Plett Tourism Association.

1.5 Tariff Setting

The National Treasury have provided municipality with a tariff model that will assist the municipality to recover costs. The incremeantal tariff process that is not influened by cost of the

services and the recovery numbers. We have populated the model and serious deficiencies were identified especially in the Waste Services and Electricity Services.

The objective of this budget was for the municipality to develop cost reflective tariffs that are also affordable to the community. The council should note that with current challenges facing the economy and challenges with COVID 19 unemployment will rise and dependence of the state will increase.

The proposed tariffs will have 5.6% increase in the total monthly bill of a middle income range and the affordable income range. The indigent and sub economic consumers will have a 9.6% increase in their monthly bill. The increase is influenced by a new basic charge of R2 per day that will be introduced to the life line tariffs consumers who are not indigents. The electricity department is currently operating at a loss and they require this funds to finance their fixed cost. The effect is that each sub economic household who are not approved indigent will pay R60 per month as Electricity basic charge. The council should note that the municipality require at least each consumer to pay a minimum of R360 in basic charges to pay for the fixed charges of electricity section.

WC047 Bitou - Supporting Table SA14 Household bills

Description	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20 % incr.	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Rand/cent							
<u>Monthly Account for Household - 'Middle Income Range'</u>							
Rates and services charges:							
Property rates	911.67	911.67	911.67	4.9%	956.67	1,005.00	1,055.00
Electricity: Basic levy	482.00	482.00	482.00	6.0%	510.92	541.58	574.07
Electricity: Consumption	2,166.56	2,166.56	2,166.56	6.0%	2,296.55	2,434.35	2,580.41
Water: Basic levy	355.00	355.00	355.00	5.0%	372.75	391.39	410.96
Water: Consumption	1,176.80	1,176.80	1,176.80	5.0%	1,235.64	1,297.42	1,362.29
Sanitation	438.83	438.83	438.83	5.0%	460.78	483.81	508.00
Refuse removal	252.25	252.25	252.25	7.0%	269.91	288.80	309.02
Other	-	-	-	-	-	-	-
sub-total	5,783.11	5,783.11	5,783.11	5.5%	6,103.22	6,442.35	6,799.75
VAT on Services	-	-	-	-	-	-	-
Total large household bill:	5,783.11	5,783.11	5,783.11	5.5%	6,103.22	6,442.35	6,799.75
% increase/-decrease	-	-	-		5.5%	5.6%	5.5%
<u>Monthly Account for Household - 'Affordable Range'</u>							
Rates and services charges:							
Property rates	205.12	205.12	205.12	4.9%	215.17	225.93	237.23
Electricity: Basic levy	362.00	362.00	362.00	6.0%	383.72	406.74	431.15

Electricity: Consumption	1,087.57	1,087.57	1,087.57	6.0%	1,152.82	1,221.99	1,295.31
Water: Basic levy	355.00	355.00	355.00	5.0%	372.75	391.39	410.96
Water: Consumption	484.10	484.10	484.10	5.0%	508.31	533.72	560.41
Sanitation	438.83	438.83	438.83	5.0%	460.78	483.81	508.00
Refuse removal	252.25	252.25	252.25	7.0%	269.91	288.80	309.02
Other	–	–	–	–	–	–	–
sub-total	3,184.87	3,184.87	3,184.87	5.6%	3,363.45	3,552.39	3,752.07
VAT on Services	–	–	–	–	–	–	–
Total small household bill:	3,184.87	3,184.87	3,184.87	5.6%	3,363.45	3,552.39	3,752.07
% increase/-decrease	–	–	–	–	5.6%	5.6%	5.6%
% increase/-decrease	–	–	–	–	–	–	–
Monthly Account for Household - 'Indigent'							
Household receiving free basic services							
Rates and services charges:							
Property rates	–	–	–	–	–	–	–
Electricity: Basic levy	–	–	–	–	60.00	63.60	67.42
Electricity: Consumption	421.63	421.63	421.63	6.0%	446.93	473.74	502.17
Water: Basic levy	355.00	355.00	355.00	5.0%	372.75	395.12	418.82
Water: Consumption	41.80	41.80	41.80	5.0%	43.89	46.52	49.31
Sanitation	438.83	438.83	438.83	5.0%	460.78	488.42	517.73
Refuse removal	252.25	252.25	252.25	7.0%	269.91	286.10	303.27
Other	–	–	–	–	–	–	–
sub-total	1,509.51	1,509.51	1,509.51	9.6%	1,654.25	1,753.51	1,858.72
VAT on Services	–	–	–	–	–	–	–
Total small household bill:	1,509.51	1,509.51	1,509.51	9.6%	1,654.25	1,753.51	1,858.72
% increase/-decrease	–	–	–	–	9.6%	6.0%	6.0%
% increase/-decrease	–	–	–	–	–	–	–

1.5.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's Budgeting process. The property rates tariffs is not consumption based and its influenced by the demand in services by communities. If communities wants more services to be expanded the property rates will mostly be used to fund the services.

An increase of 5% in property rates tariff is proposed for the 2020/21 financial year. The property rates tariff does not afford the municipality sufficient funds to fullfill some of its objective in terms of non revenue generating

1.5.2. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. National Treasury Budget Circular 89 makes specific reference to the fact that water tariffs should be cost reflective and that municipalities should ensure that water complies with all applicable quality standards. The water tariff structure must therefore ensure that:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.
- Punitive tariffs are introduced to encourage efficient water use during drought periods.

A tariff increase of 5% is proposed from 1 July 2020 for water. The tariffs model reflects that the municipality is making sufficient profits from the water services. The production of portable water by the municipality enable the municipality to manage the cost related to the water supply. The payment of water accounts by sub economic areas remains a challenge. The council have approved the implementation of the smart water meters to ensure that the recovery of revenue is possible.

1.5.3. Sale of Electricity and Impact of Tariff Increases

The National Electricity Distributor have approved a 6.4% for Eskom bulk supply. The recent court challenge by Eskom on NERSA powers to determine tariffs have a possibility of further increases in the supply cost. The council should note that NERSA have issued municipal guides on the increase by municipalities. The budget is proposing a 6% increase in tariffs for Electricity including basic charges.

We have identified that the definition of life line tariffs includes all consumers in subeconomic areas. We currently supply 7 650 consumers in sub economic areas and are in life line tariffs. It is important for council to note that life line tariffs are meant for indigent consumers. With the outcry from consumers mostly in Kwanokuthula about the cost of electricity, it become difficult to completely change the structure of the tariffs. We are concerned that the Electricity function is not generating necessary revenue to sustain itself and assist in subsidising other services.

A tariff proposal of charging basic to all consumers in life line tariff of R2 per day. This tariff will go a long way in ensuring sustainability of the electricity section. The recent blackouts by Eskom have a direct impact on the future sustainability of electricity supply business. Th

1.5.4. Sanitation and Impact of Tariff Increases

A tariff for waste water services is proposed to increase by 5%. The service is currently operating at a surplus. The municipality is charging a basic charge to all consumers with water bourne system. The tariff methodology have identified that the municipality is charging a fair tariff to its consumers.

1.5.5. Waste Removal and Impact of Tariff Increases

Budget Circulars 89 state that municipalities should strive to Budget with a moderate surplus in order to ensure that the required funding levels are maintained and to ensure that the provision for the rehabilitation of the land fill site is cash backed. The Municipality have closed the land fill site and it is now shipping the waste to Moseelbay. The construction of a waste transfer facility has been completed and has been operational since 01 March 2016. The construction of the composite facility and drop off facility for builder's rubble and green waste have also been completed.

The cost related to transportation of waste to Mosselbay are high and this makes the services not to be sustainable. The municipal plan was to minimise waste before transportation and the failure to sort waste to recycleble and non recycleble have a serious impact in transportation cost. The department was encouraged to implement waste sorting process to ensure that the bulk waste is reduced.

The municipality have made a provision of R34 million to rehabilitate the landfill site. The budget also make a provision of R11million over three financial years to contribute to the regional land fill site which currently under construction.

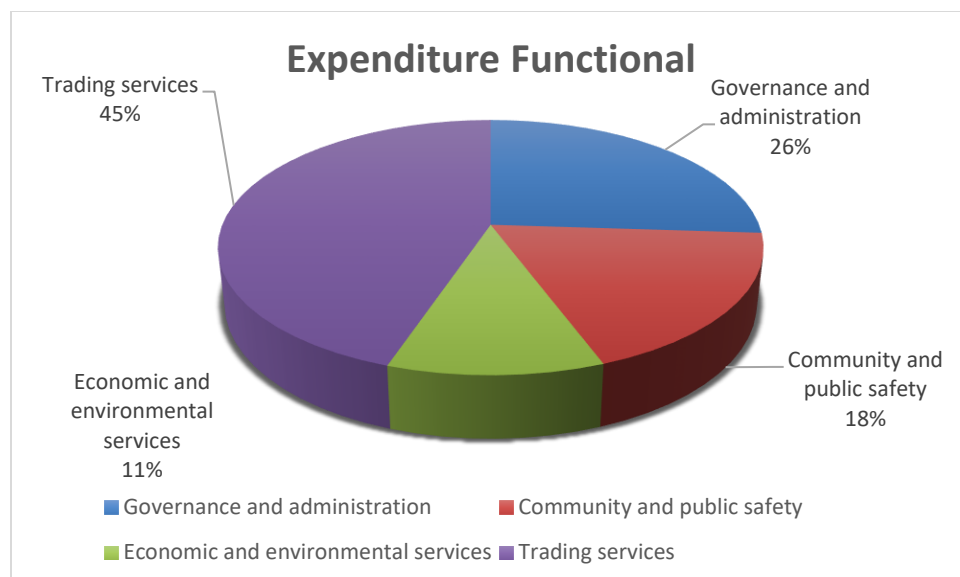
The budget proposes a 7% increase in the basic tariffs for waste disposal services. The municipality will also amend its service delivery level to ensure that the municipality collects refuse for households once every week throughout the year. This will minimise the costs and ensure that the service is sustainable.

1.5.6. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of Bitou Municipality's Indigent Policy. It is estimated that between 4378 and 4600 households will receive subsidies on tariffs and rates in the 2020/21 financial year. The estimated expenditure on free and subsidized services, inclusive of assessment rate rebates will exceed R 36 million for the 2020/21 financial year.

1.6 Budgeted Financial Performance Function

The table below reflects the budgeted financial performance per municipal function. The table is meant to reflect the allocation of municipal income and expenditure per function. As mentioned above the major source of the municipal income is from trading services. The trading services are providing R468 million to the municipal revenue streams. As mentioned above the major component being electricity. The second contributor is property rates which is provided by finance department and grants received from both national and provincial departments.



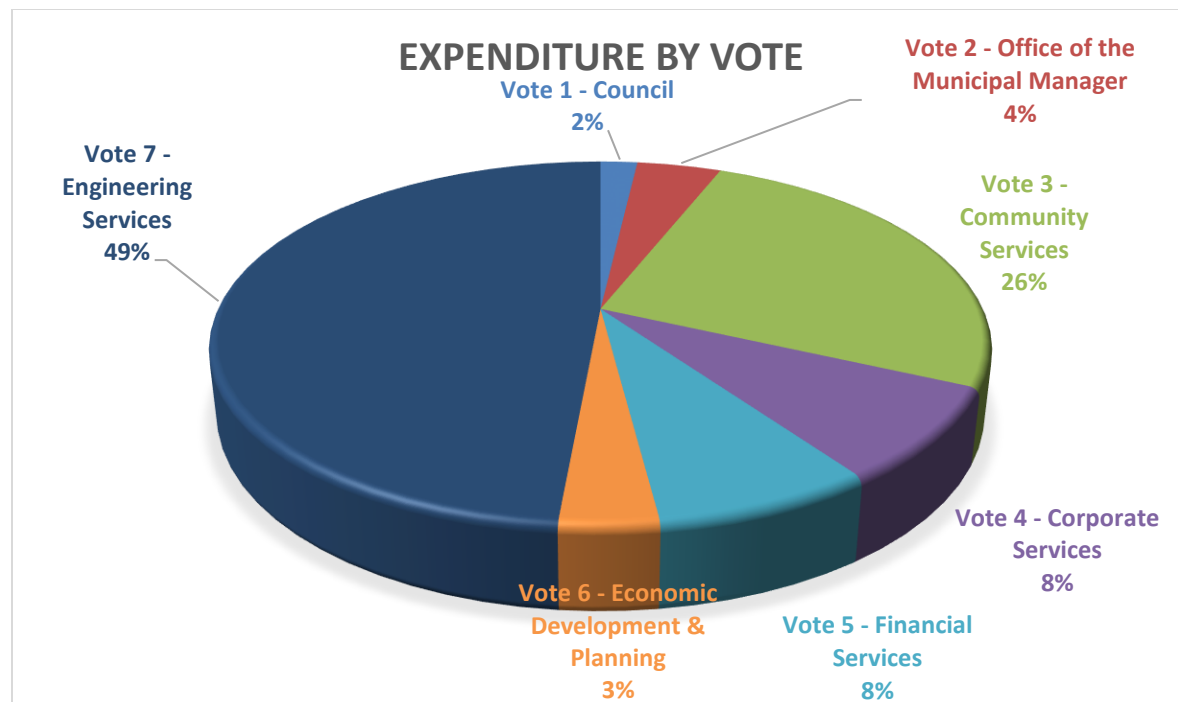
The municipality is allocating 63% of the budget is allocated to the service delivery functions. This include all departments under Engineering and Community services. The economic developmen and planning sector is allocated 11% of the budget and 26% allocated to governance and administration functions. The balance between financial needs for service delivery function and the continued demand for more resources from political offices and other admin services. The increase in operating expenditure was curb to 4% but its still a challenge.

WC047 Bitou - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description R thousand	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue - Functional						
Governance and administration	253,581	255,033	255,033	252,546	277,517	298,470
Executive and council	43,970	43,792	43,792	47,693	53,062	58,546
Finance and administration	209,611	211,241	211,241	204,853	224,455	239,924
Internal audit	-	-	-	-	-	-
Community and public safety	85,051	39,438	39,438	92,397	112,012	120,772
Community and social services	11,506	11,513	11,513	12,138	12,443	13,654
Sport and recreation	599	641	641	137	143	150
Public safety	63,912	18,240	18,240	50,576	52,327	54,927
Housing	9,035	9,044	9,044	29,547	47,098	52,040
Health	-	-	-	-	-	-
Economic and environmental services	9,107	11,863	11,863	10,151	5,002	4,643
Planning and development	8,978	9,374	9,374	9,259	4,829	4,469
Road transport	129	2,489	2,489	892	173	174
Environmental protection	-	-	-	-	-	-
Trading services	439,091	439,068	439,068	468,338	495,821	527,504
Energy sources	186,723	188,489	188,489	199,152	210,859	226,814

Water management	110,584	113,071	113,071	125,762	132,969	139,842
Waste water management	89,621	86,194	86,194	92,619	97,642	102,702
Waste management	52,164	51,314	51,314	50,806	54,351	58,145
Other	3,133	1,126	1,126	3,771	3,953	4,130
Total Revenue - Functional	789,964	746,528	746,528	827,204	894,305	955,518
Expenditure - Functional						
Governance and administration	171,663	182,825	182,825	192,431	197,050	218,743
Executive and council	40,810	45,689	45,689	47,413	47,761	42,984
Finance and administration	125,999	132,307	132,307	139,915	143,885	174,860
Internal audit	4,854	4,828	4,828	5,103	5,404	899
Community and public safety	109,598	105,306	105,306	135,257	139,424	159,700
Community and social services	28,990	30,297	30,297	24,268	24,996	23,802
Sport and recreation	25,568	24,354	24,354	31,723	32,032	32,992
Public safety	43,955	41,860	41,860	52,960	52,336	53,906
Housing	11,085	8,795	8,795	26,305	30,060	49,000
Health	–	–	–	–	–	–
Economic and environmental services	82,614	77,928	77,928	80,266	82,674	85,154
Planning and development	36,253	36,466	36,466	37,560	38,687	39,848
Road transport	46,361	41,462	41,462	42,705	43,987	45,306
Environmental protection	–	–	–	–	–	–
Trading services	313,788	324,103	324,103	331,430	345,279	299,236
Energy sources	176,995	175,420	175,420	185,414	193,976	202,601
Water management	49,367	49,882	49,882	44,350	42,999	21,691
Waste water management	41,285	56,036	56,036	55,908	59,343	22,556
Waste management	46,141	42,765	42,765	45,758	48,961	52,388
Other	38,455	11,942	11,942	12,624	13,228	13,036
Total Expenditure - Functional	716,117	702,104	702,104	752,007	777,654	775,869
Surplus/(Deficit) for the year	73,847	44,424	44,424	75,196	116,650	179,649

The graph below as similar to the graph above as the one below is the budgeted expenditure budget as per municipal votes. According to municipal votes 49% of the budget is allocated to the engineering services and the 26% is allocated to community services. Both finance and corporate services are allocated 8% and 3% for economic development and planning.



WC047 Bitou - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand						
<u>Revenue by Vote</u>						
Vote 1 - Council	3,724	3,721	3,721	2,804	2,918	3,038
Vote 2 - Office of the Municipal Manager	40,246	40,071	40,071	44,889	50,144	55,508
Vote 3 - Community Services	141,110	92,677	92,677	177,695	202,168	215,726
Vote 4 - Corporate Services	395	819	819	717	16	–
Vote 5 - Financial Services	208,455	209,661	209,661	173,435	192,614	207,263
Vote 6 - Economic Development & Planning	6,399	6,524	6,524	9,162	4,720	4,364
Vote 7 - Engineering Services	389,635	393,055	393,055	418,503	441,724	469,618
Total Revenue by Vote	789,964	746,528	746,528	827,204	894,305	955,518
<u>Expenditure by Vote to be appropriated</u>						
Vote 1 - Council	12,203	13,393	13,393	13,795	14,209	14,635
Vote 2 - Office of the Municipal Manager	27,760	31,536	31,536	31,510	32,297	33,265
Vote 3 - Community Services	199,571	166,786	166,786	194,008	201,387	178,751
Vote 4 - Corporate Services	56,252	57,460	57,460	62,867	64,753	66,696
Vote 5 - Financial Services	66,712	68,784	68,784	58,472	55,392	56,266

Vote 6 - Economic Development & Planning	23,822	25,521	25,521	26,286	27,075	27,887
Vote 7 - Engineering Services	329,797	338,624	338,624	365,069	382,542	398,369
Total Expenditure by Vote	716,117	702,104	702,104	752,007	777,654	775,869
Surplus/(Deficit) for the year	73,847	44,424	44,424	75,196	116,650	179,649

1.7 Budgeted Capital Expenditure by vote, functional and classification and funding

The following table provides a breakdown of Budgeted Capital Expenditure by vote:

WC047 Bitou - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Capital expenditure - Vote</u>						
<u>Multi-year expenditure to be appropriated</u>						
Vote 1 - Council	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager	–	–	–	–	–	–
Vote 3 - Community Services	10,181	8,442	8,442	6,651	5,235	2,539
Vote 4 - Corporate Services	772	447	447	698	1,157	1,157
Vote 5 - Financial Services	–	–	–	–	–	–
Vote 6 - Economic Development & Planning	–	–	–	–	–	–
Vote 7 - Engineering Services	26,743	25,351	25,351	21,950	47,789	35,538
Capital multi-year expenditure sub-total	37,696	34,240	34,240	29,299	54,180	39,234
<u>Single-year expenditure to be appropriated</u>						
Vote 1 - Council	–	–	–	–	–	–
Vote 2 - Office of the Municipal Manager	–	–	–	–	–	–
Vote 3 - Community Services	9,020	10,240	10,240	3,375	8,584	5,588
Vote 4 - Corporate Services	2,183	2,508	2,508	1,809	1,168	1,068
Vote 5 - Financial Services	629	629	629	2,373	–	–
Vote 6 - Economic Development & Planning	–	–	–	–	–	–
Vote 7 - Engineering Services	35,238	36,171	36,171	32,824	33,572	17,746
Capital single-year expenditure sub-total	47,070	49,549	49,549	40,380	43,324	24,402
Total Capital Expenditure - Vote	84,766	83,789	83,789	69,679	97,504	63,637
<u>Capital Expenditure - Functional</u>						
<u>Governance and administration</u>	6,765	5,476	5,476	2,805	2,326	2,226
Executive and council	–	–	–	130	–	–
Finance and administration	6,765	5,476	5,476	2,675	2,326	2,226

Internal audit	-	-	-	-	-	-
Community and public safety	5,941	6,782	6,782	8,156	9,069	7,927
Community and social services	1,470	1,600	1,600	745		
Sport and recreation	4,471	5,182	5,182	6,786	4,614	2,567
Public safety	-	-	-	625	4,300	5,200
Housing	-	-	-	-	155	160
Health	-	-	-	-	-	-
Economic and environmental services	5,300	4,875	4,875	22,318	26,049	9,048
Planning and development	-	-	-	1,253	2,450	200
Road transport	5,300	4,875	4,875	21,065	23,600	8,848
Environmental protection	-	-	-	-	-	-
Trading services	66,760	66,655	66,655	53,268	59,061	43,936
Energy sources	21,088	21,028	21,028	10,703	21,732	21,950
Water management	21,017	24,082	24,082	20,012	22,173	9,138
Waste water management	14,525	11,486	11,486	21,133	13,855	12,848
Waste management	10,130	10,059	10,059	1,420	1,300	-
Other	-	-	-	70	-	-
Total Capital Expenditure - Functional	84,766	83,789	83,789	86,617	96,504	63,137
Funded by:						
National Government	23,479	23,479	23,479	21,794	23,674	24,573
Provincial Government	9,520	9,331	9,331	26,354	17,435	3,000
District Municipality	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-
Transfers recognised - capital	32,999	32,810	32,810	48,148	41,109	27,573
Public contributions & donations	-	-	-	-	-	-
Borrowing	11,640	11,640	11,640	-	-	-
Internally generated funds	40,127	39,339	39,339	38,470	55,396	35,564
Total Capital Funding	84,766	83,789	83,789	86,617	96,504	63,137

The capital budget is increased to R86 million to 2020/21 financial year. The capital budget is increased because of the housing related projects. It should be note that based on the Minister of Finance pronouncement in the budget speech the grants from MIG and INEP remained the same as last financial year. The tabled budget does not propose any sourcing of loans or lease for the 2020/21 financial year. The own funding contribution reduced from R39 million to R34 million in the 2020/21 budget.

1.8 Budgeted Financial Position

WC047 Bitou - Table A6 Budgeted Financial Position

Description	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand						
ASSETS						

Current assets						
Cash	7,630	7,630	7,630	14,260	8,966	18,355
Call investment deposits	84,520	84,520	84,520	57,041	35,864	73,419
Consumer debtors	62,423	62,423	62,423	99,073	141,520	136,897
Other debtors	4,202	22,402	68,684	24,733	24,984	70,680
Current portion of long-term receivables	2	–	4	–	–	–
Inventory	–	2,356	15,703	2,560	2,850	3,012
Total current assets	158,777	179,332	238,964	197,668	214,185	302,363
Non current assets						
Long-term receivables	–	–	–	–	–	–
Investments	8,090	8,090	7,603	8,090	8,090	8,090
Investment property	55,425	55,425	55,425	55,425	55,425	55,425
Investment in Associate	–	–	–	–	–	–
Property, plant and equipment	1,176,339	1,176,339	1,176,339	1,208,727	1,265,358	1,287,022
Agricultural	–	–	–	–	–	–
Biological	–	–	–	–	–	–
Intangible	592	592	104	592	592	592
Other non-current assets	35	35	35	–	–	–
Total non current assets	1,240,481	1,240,481	1,239,507	1,272,834	1,329,465	1,351,129
TOTAL ASSETS	1,399,258	1,419,813	1,478,471	1,470,503	1,543,649	1,653,492
LIABILITIES						
Current liabilities						
Bank overdraft	–	–	–	–	–	–
Borrowing	(18,150)	(18,150)	(18,150)	(21,249)	(16,810)	(15,120)
Consumer deposits	(8,354)	(8,354)	(8,354)	(8,354)	(8,354)	(8,354)
Trade and other payables	–	(142,167)	(142,167)	(147,712)	(126,830)	(125,631)
Provisions	(44,370)	(44,370)	(39,667)	(10,018)	(11,346)	(12,055)
Total current liabilities	(70,874)	(213,041)	(208,339)	(187,334)	(163,340)	(161,160)
Non current liabilities						
Borrowing	(132,123)	(128,621)	(132,123)	(107,372)	(90,562)	(72,042)
Provisions	–	(108,052)	(108,052)	(45,999)	(10,952)	(10,952)
Total non current liabilities	(132,123)	(236,673)	(240,175)	(153,371)	(101,514)	(82,994)
TOTAL LIABILITIES	(202,997)	(449,715)	(448,514)	(340,705)	(264,854)	(244,154)
NET ASSETS	1,196,261	970,098	1,029,957	1,129,798	1,278,795	1,409,338
COMMUNITY WEALTH/EQUITY						

Accumulated Surplus/(Deficit)	1,113,520	887,358	947,216	1,050,124	1,202,636	1,230,024
Reserves	82,740	82,740	82,740	79,674	76,159	179,314
TOTAL COMMUNITY WEALTH/EQUITY	1,196,261	970,098	1,029,957	1,129,798	1,278,795	1,409,338

1.9 Budgeted Cashflow

WC047 Bitou - Table A7 Budgeted Cash Flows

Description R thousand	Current Year 2018/19			2020/21 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates	122,061	129,445	129,445	136,931	143,777	150,966
Service charges	191,453	193,091	193,091	391,797	414,141	437,777
Other revenue	211,484	207,607	207,607	18,290	19,305	20,340
Government - operating	47,059	39,898	39,898	135,681	160,868	193,180
Government - capital	–	–	–	39,542	45,975	37,509
Interest	–	–	–	9,667	10,119	10,584
Payments						
Suppliers and employees	(554,237)	(549,396)	(549,396)	(640,246)	(682,960)	(701,858)
Finance charges	(14,798)	(15,130)	(15,130)	(13,510)	(10,871)	(8,597)
Transfers and Grants	(6,750)	(5,515)	(5,515)	(6,700)	(6,700)	(6,700)
NET CASH FROM/(USED) OPERATING ACTIVITIES	(3,728)	–	–	71,452	93,654	133,202
CASH FLOWS FROM INVESTING ACTIVITIES						
Capital assets	(84,766)	(83,789)	(83,789)	(69,679)	(97,504)	(63,637)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(84,766)	(83,789)	(83,789)	(69,679)	(97,504)	(63,637)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Payments						
Repayment of borrowing	(19,441)	(19,441)	(19,441)	(22,621)	(22,621)	(22,621)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(19,441)	(19,441)	(19,441)	(22,621)	(22,621)	(22,621)
NET INCREASE/ (DECREASE) IN CASH HELD	(107,935)	(103,229)	(103,229)	(20,849)	(26,471)	46,944
Cash/cash equivalents at the year begin:	90,089	90,089	90,089	92,150	71,301	44,830
Cash/cash equivalents at the year end:	(17,846)	(13,140)	(13,140)	71,301	44,830	91,774

